

THE IRON BAY TRUST

GENERAL FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS For the year ended December 31, 1970

Receipts	1970	1969
Royalties	\$ 544,085	\$ 349,960
Interest	8,592	5,430
	<u>552,677</u>	<u>355,390</u>
Disbursements		
Administrative expenses	8,895	6,207
Transfer to Reserve Fund (Note 2)	1,000	1,000
Trustees' fees	5,526	3,554
	<u>15,421</u>	<u>10,761</u>
Net receipts available for distribution ..	<u>537,256</u>	<u>344,629</u>
Distributed to unit holders —		
20.99 cents per unit	537,345	344,577
(1969 — 13.46 cents per unit)		
Net (disbursements) receipts	<u>(89)</u>	<u>52</u>
Cash on hand at beginning of year ...	91	39
Cash on hand at end of year	<u>\$ 2</u>	<u>\$ 91</u>

RESERVE FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS For the year ended December 31, 1970

Receipts		
Transfer from General Fund	\$ 1,000	\$ 1,000
Interest	243	118
	<u>1,243</u>	<u>1,118</u>
Cash on hand at beginning of year ...	2,127	1,009
Cash on hand at end of year	<u>\$ 3,370</u>	<u>\$ 2,127</u>

THE IRON BAY TRUST

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 1970

1. The Trust owns an 80% interest in a mining property in the Bruce Lake area, District of Kenora, Ontario. The mining property is leased to The Steel Company of Canada, Limited until April 30, 2040, and the Trust receives a royalty based on quantities of iron ore pellets shipped from the mine. The royalty rate is subject to change in proportion to changes in the prevailing Cleveland market price for Lake Superior District iron ore pellets.
2. The Trust Indenture provides that \$1,000 a year is to be transferred to a reserve fund and the balance of receipts after deducting disbursements is to be distributed to the unit holders in the calendar year of receipt.
3. The Trust has an authorized and issued capital of 2,560,005 Trust units.

AUDITORS' REPORT

To The Unit Holders
The Iron Bay Trust

We have examined the statements of receipts and disbursements of the General Fund and the Reserve Fund of The Iron Bay Trust for the year ended December 31, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the cash transactions of the Trust for the year ended December 31, 1970 and the balance of cash on hand at that date.

Toronto, Ontario
January 18, 1971

RIDDELL, STEAD & CO.
Chartered Accountants

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THE IRON BAY TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1970

ADDRESS

Suite 1000, 11 King Street West
Toronto 105, Ontario

TRUSTEES

DAVID A. HUNTLEY, C.A.
Suite 1000, 11 King Street West
Toronto 105, Ontario

and

MONTREAL TRUST COMPANY
15 King Street West
Toronto 105, Ontario

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
15 King Street West
Toronto 105, Ontario

THE IRON BAY TRUST

SUMMARY INFORMATION

Mining Property and Royalty

The mining property consists of an 80% interest in 123 mining claims in the Bruce Lake area, District of Kenora, Ontario. The royalty is based on tonnage of iron ore pellets shipped from the property and the rate of royalty changes proportionately with changes in the price of iron ore pellets. There have been two recent increases in the price of pellets and the royalty rate has increased accordingly. The following list details the changes in the royalty rate:

<u>Royalty to the Trust</u>	<u>Per ton</u>
For shipments of iron ore pellets from commencement of production to December 31, 1969	40 cents
For shipments of iron ore pellets made during the period January 1 to December 31, 1970	42.22 cents
For shipments of iron ore pellets made after January 1, 1971	44.44 cents

Lessee of Mining Property

The Steel Company of Canada, Limited

Name of Project

The Griffith Mine

	<u>1970</u>	<u>1969</u>	<u>1968</u>
Royalties received	\$ 544,085	349,960	121,252
Distributions to Trust Unit Holders	\$ 537,345	344,577	111,616
	20.99 cents per unit	13.46 cents per unit	4.36 cents per unit
Total Distributions to Trust Unit Holders from inception to December 31, 1970	\$ 993,538		

THE IRON BAY TRUST

TRUSTEES' REPORT

For the year ended December 31, 1970

To the Trust Unit Holders:

Royalties received during 1970 from The Griffith Mine amounted to \$544,085, compared to \$349,960 in 1969. The Trust receives its production royalties on a quarterly basis in the month following the end of each calendar quarter. The following is a schedule of the amounts received in 1970:

<u>Production period</u>	<u>Tons of iron ore pellets</u>	<u>Royalty</u>	<u>Payment received</u>
October to December, 1969	236,894	\$ 94,758	January, 1970
January to March, 1970 ...	367,771	155,288	April, 1970
April to June, 1970	360,246	152,110	July, 1970
July to September, 1970 ..	336,135	141,929	October, 1970
	<u>1,301,046</u>	<u>\$ 544,085</u>	

Royalties for the production period October to December, 1970 amounted to \$155,304 and payment was received in January, 1971. Production for the period was 367,809 tons of pellets.

The rate of production from the mine is now very close to the planned rate of 1,500,000 tons of iron ore pellets per year.

Distributions to Trust unit holders during the year amounted to 20.99 cents per unit and totalled \$537,345. The following are details of the amounts paid and dates of payment:

<u>Royalty Distribution Number</u>	<u>Amount per unit</u>	<u>Record date</u>	<u>Payment date</u>
4	9 cents	May 11, 1970	May 25, 1970
5	11.99 cents	Nov. 9, 1970	Nov. 23, 1970
	<u>20.99 cents</u>		

A distribution of 5 cents per Trust unit will be paid on February 22 to unit holders of record on February 8, 1971. This distribution will mark the start of a new policy to make distributions on a quarterly basis. The first three distributions of each year will be made in even amounts and the fourth distribution will pay out the balance of funds received by the Trust during the year. Previous distributions were made on a half-yearly basis.

For income tax purposes unit holders are entitled to a depletion allowance of 25% of the amount of royalty received, in accordance with Regulation 1202 of the Income Tax Regulations.

A recent announcement that the price of iron ore pellets is being increased is important, since the royalty rate changes proportionately. The new rate payable to the Trust, for its interest in the mining property, will be 44.44 cents per ton for pellets shipped after January 1, 1971. This increase follows a similar increase on January 1, 1970, which raised the royalty rate to 42.22 cents per ton from the previous rate of 40 cents per ton.

D. A. HUNTLEY and
MONTREAL TRUST COMPANY
Trustees.

January 27, 1971.

THE IRON BAY TRUST

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 1970

NOTE 1 The Trust owns an 80% interest in 123 mining claims in the Bruce Lake area, District of Kenora, Ontario. The mining property is leased to The Steel Company of Canada, Limited until April 30, 2040. The base royalty rate is 40 cents per ton of pellets shipped from the property. Because of an increase in the selling price of iron ore pellets, the royalty rate escalated to 42.22 cents per ton for shipments made after January 1, 1970.

NOTE 2 The Trust indenture provides that \$1,000 a year is to be transferred to a reserve fund and the balance of receipts after deducting disbursements is to be distributed to the shareholders in the calendar year of receipt.

NOTE 3 The Trust has an authorized and issued capital of 2,560,005 Trust shares.

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THE IRON BAY TRUST

TRUSTEES'

interim report

FOR THE SIX MONTHS ENDED JUNE 30, 1970

ADDRESS

Suite 1000, 11 King Street West
Toronto 105, Ontario

TRUSTEES

DAVID A. HUNTLEY, C.A.
Suite 1000, 11 King Street West
Toronto 105, Ontario

and

MONTREAL TRUST COMPANY
15 King Street West
Toronto 105, Ontario

THE IRON BAY TRUST

INTERIM REPORT

For the six months ended June 30, 1970

To the Trust Shareholders

Royalties received during the period from The Griffith Mine amounted to \$250,045, compared to \$163,194 for the corresponding 1969 period. The following is a summary of the amounts received:

Production period	Tons of iron ore pellets	Royalty	Payment Received
October to December, 1969	236,894	\$ 94,757	January, 1970
January to March, 1970	<u>367,771</u>	<u>155,288</u>	April, 1970
	<u>604,665</u>	<u>\$250,045</u>	

Royalties for the production period April to June amounted to \$152,110 and were received in July.

A distribution of 9 cents per share was paid to shareholders on May 25 and the next distribution will be made on November 23, 1970.

The Trust's royalty agreement contains an escalation clause based on changes in the selling price of iron ore pellets. During the period the price of pellets increased 5.5%. The new royalty rate is 42.22 cents per ton of pellets shipped from the mine and is effective for shipments made after January 1, 1970.

A brief on the White Paper "proposals for tax reform" was prepared and submitted to the House of Commons Standing Committee on Finance, Trade and Economic Affairs. The brief explains the inequities in the White Paper as they affect the Trust and makes recommendations for changes. On July 21 representatives of the Trust appeared before the Committee to explain the brief and answer questions.

D. A. HUNTLEY and
MONTREAL TRUST COMPANY,
Trustees.

July 22, 1970.

THE IRON BAY TRUST

GENERAL FUND INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the six months ended June 30, 1970

Receipts	1970	1969
Royalties	\$ 250,045	\$ 163,194
Interest	3,548	2,192
	<u>253,593</u>	<u>165,386</u>
Disbursements		
Administrative expenses	5,593	3,335
Transfer to Reserve Fund	1,000	1,000
Trustees' fees	2,536	1,654
	<u>9,129</u>	<u>5,989</u>
Net receipts available for distribution	244,464	159,397
Distributed to shareholders — 9 cents per share	230,400	153,600
(1969 — 6 cents per share)		
Net receipts	14,064	5,797
Cash on hand at beginning of year	91	39
Cash on hand at end of period, available for inclusion in next distribution	<u>\$ 14,155</u>	<u>\$ 5,836</u>

RESERVE FUND INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the six months ended June 30, 1970

Receipts	1970	1969
Transfer from General Fund ..	\$ 1,000	\$ 1,000
Interest	100	50
	<u>1,100</u>	<u>1,050</u>
Cash on hand at beginning of year	2,127	1,009
Cash on hand at end of period ..	<u>\$ 3,227</u>	<u>\$ 2,059</u>